

**DEPARTMENT OF STATE REVENUE**  
**LETTER OF FINDINGS NUMBER: 99-0487**  
**Income Tax**  
**For the Years 1996-1999**

NOTICE: Under IC 4-22-7-7, this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superseded or deleted by the publication of a new document in the Indiana Register. The publication of this document will provide the general public with information about the Department's official position concerning a specific issue.

**ISSUE**

**I. Income Tax-Imposition**

**Authority:** IC 6-3-2-1, IC 6-3-1-8, 26 USC 1366

**STATEMENT OF FACTS**

The taxpayer is a shareholder of an Indiana sub chapter S corporation. The Indiana Department of Revenue, hereinafter referred to as the "department," performed an investigation of the sub chapter S corporation. During the investigation, the department learned that the taxpayer had not reported his share of the corporate income on his personal income tax return. The department assessed adjusted gross income tax on the taxpayer's share of the sub chapter S corporation income, penalty, and interest against the taxpayer. The taxpayer protested this assessment and a hearing was scheduled for September 3, 2003. The taxpayer failed to appear or offer any other documentation on his behalf. Therefore, this Letter of Findings is based on the file.

**I. Income Tax- Imposition**

**DISCUSSION**

Indiana imposes an adjusted gross income tax on all residents. IC 6-3-2-1. A taxpayer's Indiana income is determined by starting with the federal income and making certain adjustments. IC 6-3-1-8. Income from a sub chapter S corporation flows through to the individual shareholder's personal income for federal tax purposes. 26 USC 1366. Therefore, it also flows through to the individual shareholder's personal income for Indiana tax purposes. The taxpayer failed to report and pay the taxes owing on his share of the income from the sub chapter S corporation. The department properly assessed adjusted gross income tax on the shareholder's income which flowed through from the sub chapter S corporation.

**FINDING**

The taxpayer's protest is denied